

# Q4 REPORT CONTAINER MARKET UPDATE

January 2023



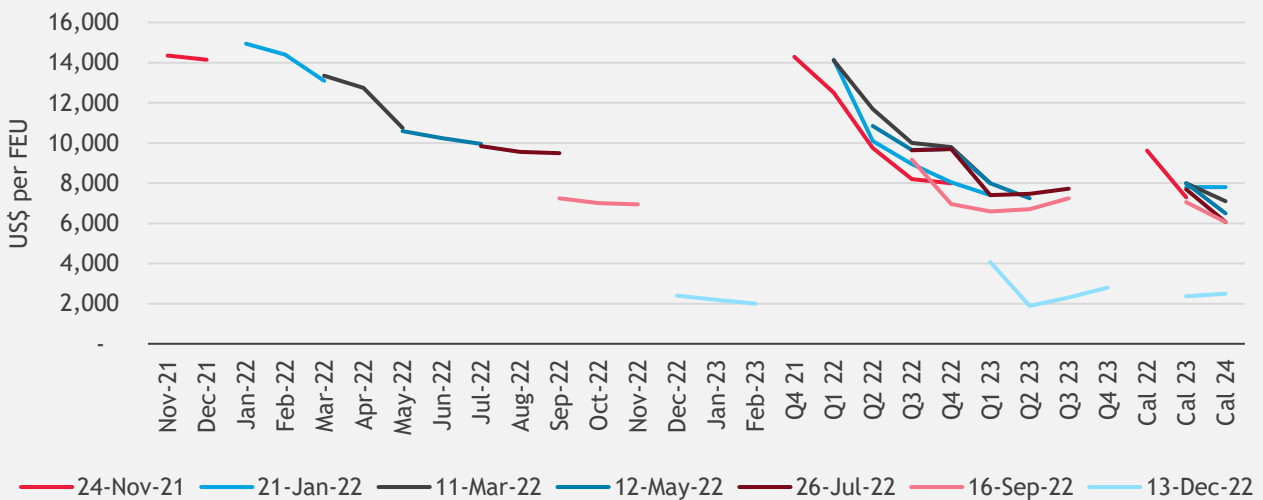
## A RETURN TO NORMALITY AS WE START OUT ON THE ROAD TO RECOVERY

Over the last year we have closely monitored the cost of shipping containers from China to Europe. Using our combined knowledge of the shipping and retail & consumer sectors we have consistently reported that our view is that container rates will return to some sort of normality sooner than the market was predicting. Q4 22 has seen prices for shipping containers from China to North Europe fall from \$7,250/FEU to \$2,400/FEU, an even greater fall than we were forecasting, and now nearly at pre-pandemic levels, with a further fall in the pricing expected to continue into 2023.



Our analysis of the forward curve has consistently shown that the market has been overly cautious in pricing in a correction in shipping costs, however it is clear to see that the forward curve is catching up with the direction of the shipping industry's market fundamentals which have been on the horizon since the end of Q1 22.

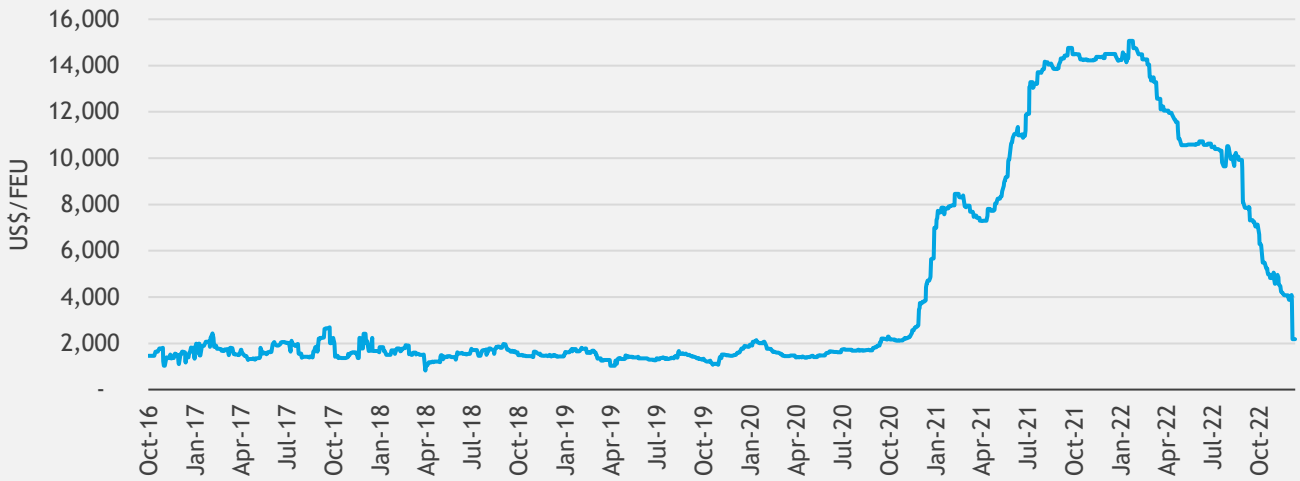
### FBX11 - CHINA/EAST ASIA TO NORTH EUROPE



Source: The Baltic Exchange

FBX11 is now at pre-pandemic levels and is likely to continue to fall even further as demand for container shipping has continued to soften.

### CHINA/SOUTH EAST ASIA TO NORTH EUROPE - FBX11

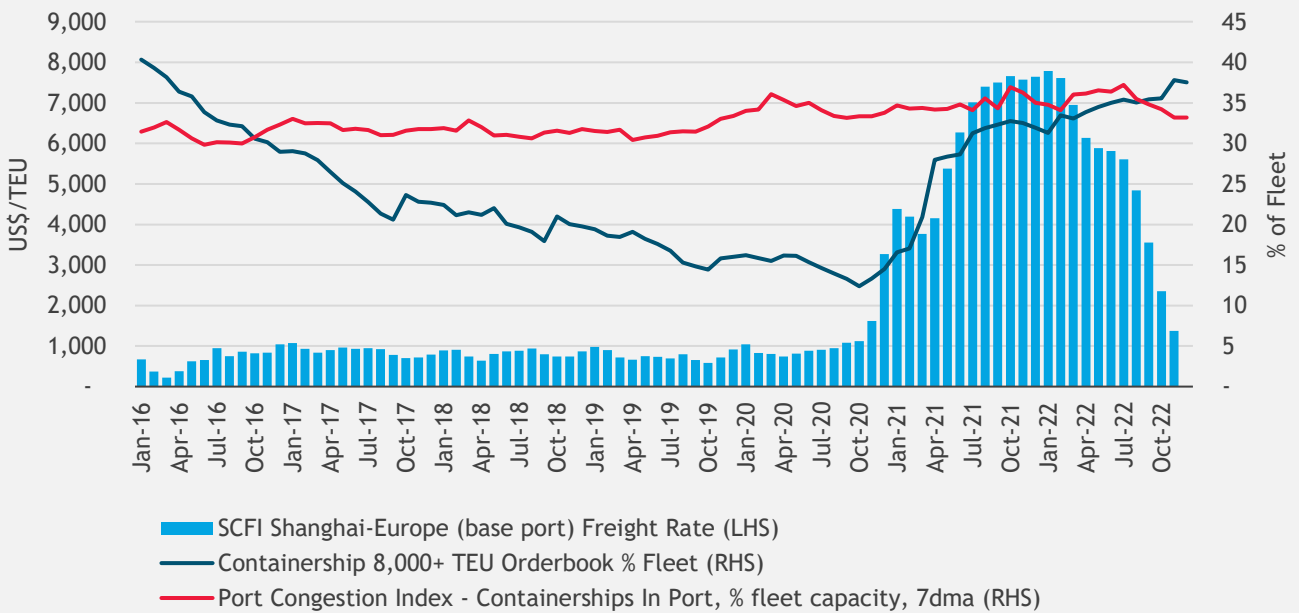


Source: The Baltic Exchange

### CONTAINER MARKET DRIVERS

Port congestion has continued to fall and ordered ships are starting to be delivered, resulting in an increase in supply and an overall drop in demand, fuelling the sudden drop in prices.

### CONTAINER MARKET DRIVERS



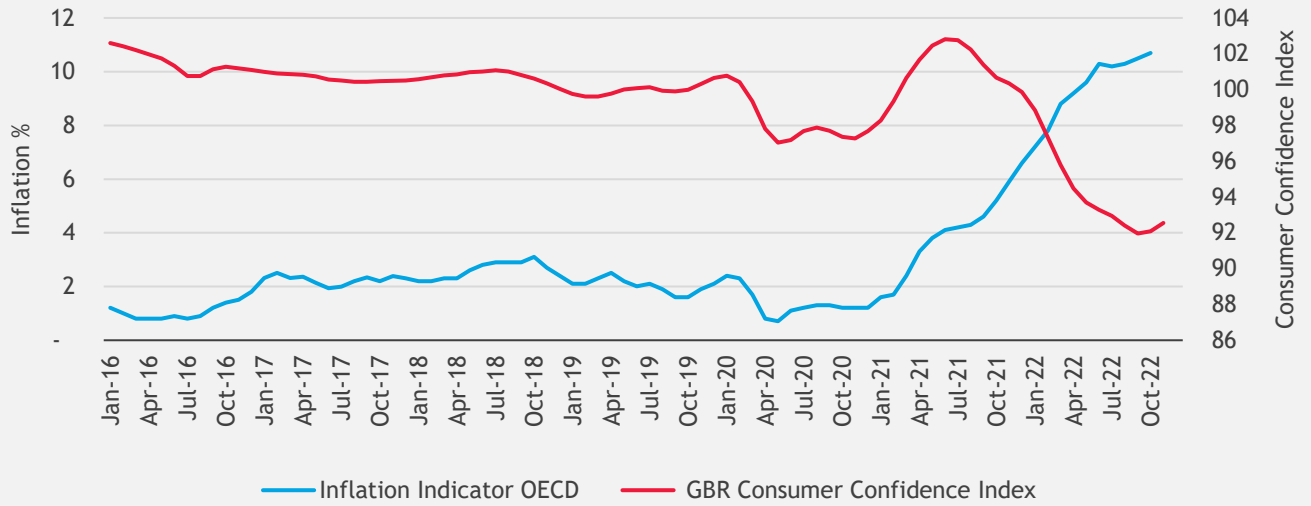
Source: Clarkson Research Services



Consumer confidence in the UK has started to show some early signs of recovery indicating that the worst may be over. This ties in with the recent news that the rate of the Consumer Price Index including owner occupiers' housing costs (CPIH) has slowed to 9.3%

in the 12 months to November down from 9.6% in October. We are still very likely to see the Bank of England use interest rate rises to maintain downward pressure on inflation but there is a sense that the market is showing some green shoots.

**INFLATION - CONSUMER CONFIDENCE INDEX**

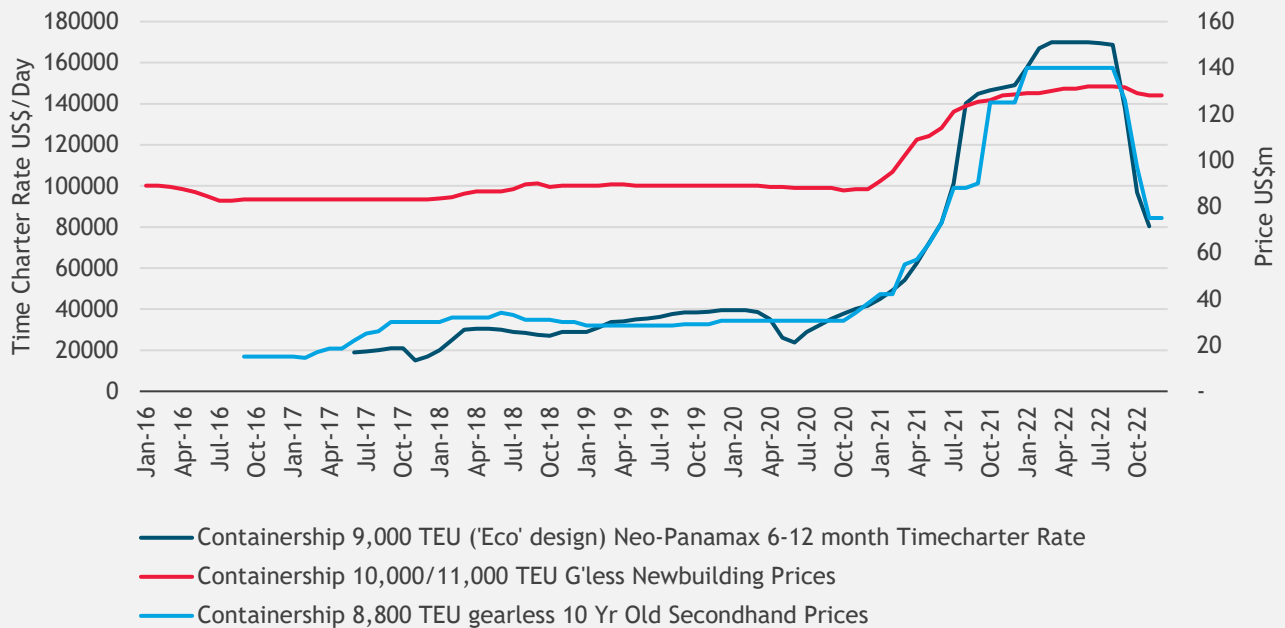


Source: Clarkson Research Services & OECD



The container operators have benefitted from an exceptional boom in cash reserves through COVID-19, so despite contributing to their own market softening by adding to supply it is unlikely that we will see these operators suffering as we did in the Global Financial Crisis.

### CONTAINERSHIP TIME CHARTER RATES & PRICES



Source: Clarkson Research Services

In conclusion, the market is starting to normalise to historic levels, and it is reasonable to forecast that shipping an FEU from China to Europe could fall below US\$1,500/FEU. This will be a huge relief to many retailers and will see margins and profits return in 2023, which is needed by many on the backdrop of increasing raw material and energy prices.

We will continue to monitor shipping costs at BDO; however, this may be the last edition of our quarterly container shipping update as we return to business as usual on this topic. We are always happy to share views on the challenges and opportunities that our industries face and welcome any enquiries our readers may have.

### FOR FURTHER HELP, GUIDANCE AND ADVICE PLEASE CONTACT:



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